

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 TRSE-00 AID-20 IGA-02 COME-00

OMB-01 OPIC-12 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01

SSO-00 L-03 INRE-00 SS-20 NSC-10 NSCE-00 SPC-03 /115 W

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O 241647Z OCT 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 7504

C O N F I D E N T I A L LIMA 7764

E.O. 11652: GDS

TAGS: EFIN, BDIS, EIND, EMIN, IDB, PE

SUBJ: IDB CONSIDERATION OF DEOBLIGATION OF LOAN TO
PERUVIAN HOUSING BANK

REF: WEBER-BELCHER LETTER OF 10/17, LIMA 7416

1. SINCE TRANSMISSION REFTEL AND RECEIPT REFERENCED LETTER, EMBASSY HAS LEARNED THAT IDB BOARD WILL CONSIDER DEOBLIGATION OF \$3 MILLION IDB LOAN NO. 179 (PERUVIAN HOUSING BANK) AT THURSDAY, OCTOBER 25 IDB BOARD OF DIRECTORS' MEETING. WE ALSO UNDERSTAND THAT PERU IS AWARE IDB STAFF PUSHING FORWARD WITH RECOMMENDATION TO DEOBLIGATE AND IS MAKING DETERMINED EFFORT PREVENT SUCH A DECISION.

2. I AM CONCERNED THAT SHOULD BANK DECIDE DEOBLIGATE THIS LOAN, AND PARTICULARLY SHOULD U.S. DIRECTOR BE ALONE IN OPPOSITION, THAT PERUVIANS WOULD CONSIDER THIS DIRECT STEP BY U.S. TO BRING PRESSURE ON PERU. WE UNDERSTAND THAT BANK STAFF'S RATIONALE FOR PUSHING DE-OBLIGATION BASED IN PART ON NEW BANK POLICY WHICH REQUIRES THAT ALL DISBURSEMENTS FOR LOANS BE MADE WITHIN FIVE YEARS. HOWEVER, THIS NEW POLICY PUT INTO EFFECT IN 1971 AND IT WOULD APPEAR ANOMALOUS AT BEST TO APPLY IT TO LOAN SIGNED IN 1968.

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3. TWO OTHER FACTORS WORTHY OF NOTE ARE THAT: (A) NEW

IDB DEPUTY MANAGER OF OPERATIONS, PAUL COLCAIRE, IS U.S. CITIZEN, A FACT WHICH MAY WELL INDICATE TO SUSPICIOUS PERUVIANS THAT USG HAND IS BEHIND STAFF EFFORTS DEOBLIGATE; AND/OR (B) PERUVIAN HOUSING BANK IS ALLEGEDLY MOVING FORWARD TO MAKE USE OF \$3 MILLION SUM AND THAT BIDS TO CONSTRUCT 600 HOUSING UNITS HAVE ALREADY BEEN LET, SO THAT GOP IS AT LEAST TAKING SOME ACTION TO MEET LOAN OBLIGATIONS, EVEN IF NOT AT PACE DESIRED BY IDB STAFFERS.

4. (INCIDENTALLY, LOAN NO. 277, AGRICULTURE, REPORTED IN REFTTEL AS PREVIOUSLY SLATED FOR POSSIBLE DEOBLIGATION, HAS BEEN RESOLVED AT IDB STAFF LEVEL AND WILL NOT BE RAISED AT OCTOBER 25 MEETING.)

5. IN SUM, I REITERATE NEED FOR USG TO DEMONSTRATE FLEXIBILITY IN REGARD THIS DEOBLIGATION WITHOUT OUR ONCE AGAIN TAKING NEGATIVE POSITION WHICH GOP HAS OFTEN UNFORTUNATELY COME TO EXPECT FROM US IN THESE MATTERS. FACT THAT GOP HAS GONE TO EXTRAORDINARY STEP OF ASKING BOARD FOR CONSIDERATION OF ISSUE INDICATES HOW SERIOUSLY GOP TAKES THIS ISSUE, AND USG OPPOSITION, PARTICULARLY IF WE ALONE IN NEGATIVE CAMP, WILL CERTAINLY DO NOTHING TO ENHANCE AND COULD EVEN JEOPARDIZE TO SOME DEGREE THE EFFORTS BY GREENE MISSION TO SETTLE MUCH LARGER ISSUE OF OUTSTANDING INVESTMENT DISPUTES. AT LEAST, IF USG UNABLE SUPPORT EXTENSION OF LOAN, I RECOMMEND STRONGLY WE WORK OUT SOME COMPROMISE OF HOUSING BANK ISSUE WHICH WOULD ALLOW PERU TO TAKE CARE OF COMMITMENTS THEY MAY HAVE ALREADY UNDERTAKEN.
BELCHER

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